



phone 870.336.3434 1.888.336.4249 fax 870.336.3401 office 2400 Ritter Drive, Jonesboro, AR 72401 www.getritter.info

CONFIDENTIAL FINANCIAL INFORMATION-SUBJECT
TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-
135, 05-337, 03-109, CC DOCKET NOS. 01-92, 96-45, GN
DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE
THE FEDERAL COMMUNICATIONS COMMISSION

REDACTED-FOR PUBLIC INSPECTION

July 27, 2014

Ms. Marlene Dortch
Secretary of Commission
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Received & inspected
JUN 30 2014

FCC Mail Room

RE: Docket WC Nos. 10-90 and 11-42 FCC Form 481

Dear Ms. Dortch:

Please accept for filing the attached four copies of the redacted, FCC Form 481 for Tri-County Telephone Company (SAC 401726). This filing is subject to section 0.549 of the FCC's Rules.

Also included is an extra copy of the redacted filing that I request you to date stamp and return to me in the enclosed, postage paid envelope.

If you have any questions about this or need any additional information, I can be contacted at 870-336-2345 or john.strode@rittercommunications.com.

Sincerely,
RITTER COMMUNICATIONS HOLDINGS, INC.

A handwritten signature in black ink that reads "John Strode".

John Strode
Vice President

attachments

No. of Copies rec'd 0+2
List ASCDE

<010> Study Area Code 401726

<015> Study Area Name TRI-COUNTY TEL CO AR

<020> Program Year 2015

<030> Contact Name: Person USAC should contact with questions about this data John Strode

<035> Contact Telephone Number: 8703362345 ext. Number of the person identified in data line <030>

<039> Contact Email Address: John.Strode@RitterCommunications.com Email of the person identified in data line <030>

Received & Inspected
JUN 30 2014

FCC Mail Room

ANNUAL REPORTING FOR ALL CARRIERS

54,313 Completion Required 54,422 Completion Required

(check box when complete)

<100> Service Quality Improvement Reporting	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<200> Outage Reporting (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<210> <input checked="" type="checkbox"/> <-- check box if no outages to report		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<300> Unfulfilled Service Requests (voice) 0		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<310> Detail on Attempts (voice)	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<320> Unfulfilled Service Requests (broadband) 21		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<330> Detail on Attempts (broadband) 401726ar330.pdf	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<400> Number of Complaints per 1,000 customers (voice)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<410> Fixed 0.0		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<420> Mobile 0.0		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<430> Number of Complaints per 1,000 customers (broadband)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<440> Fixed 0.0		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<450> Mobile 0.0		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<510> 401726ar510.pdf	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<600> Functionality in Emergency Situations	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<610> 401726ar610.pdf	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<700> Company Price Offerings (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<710> Company Price Offerings (broadband)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<800> Operating Companies and Affiliates	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<900> Tribal Land Offerings (Y/N)?	(if yes, complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1000> Voice Services Rate Comparability	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1010> 401726ar1010.pdf	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1100> Terrestrial Backhaul (Y/N)?	(if not, check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1110>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<2005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet			
<3000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<3005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

(100) Service Quality Improvement Reporting
Data Collection Form

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010> Study Area Code	401726
<015> Study Area Name	TRI-COUNTY TEL CO-AR
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	John Strode
<035> Contact Telephone Number - Number of person identified in data line <030>	8703362345 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	John.Strode@RitterCommunications.com

<110> Has your company received its ETC certification from the FCC? (yes / no) ☐ ☒

If your answer to Line <110> is yes, do you have an existing § 54.202(a) "5 year plan" filed with the FCC? (yes / no) ☐ ☐

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

401726ar112.pdf

Name of Attached Document

Please check these boxes below to confirm that the attached documents(s), on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

<113> Maps detailing progress towards meeting plan targets

<114> Report how much universal service (USF) support was received

<115> How (USF) was used to improve service quality

<116> How (USF) was used to improve service coverage

<117> How (USF) was used to improve service capacity

<118> Provide an explanation of network improvement targets not met in the prior calendar year.

<010>	Study Area Code	401736
<015>	Study Area Name	TRI-COUNTY TEL CO-AR
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	John Strobe
<035>	Contact Telephone Number - Number of person identified in data line <030>	8703362345 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	John.Strobe@RitterCommunications.com

[illegible]

<701>	Residential Local Service Charge Effective Date	1/1/2014
<702>	Single State-wide Residential Local Service Charge	

[illegible]

<010> Study Area Code	401726
<015> Study Area Name	TRI-COUNTY TEL CO-AR
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	John Stroebe
<035> Contact Telephone Number - Number of person identified in data line <030>	8703362349 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	John.Stroebe@RitterCommunications.com

[illegible]

[illegible]

(900) Tribal Lands Reporting
Data Collection Form

FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
 July 2013

<010> Study Area Code	401726
<015> Study Area Name	TRI-COUNTY TEL CO-AR
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	John Stode
<035> Contact Telephone Number - Number of person identified in data line <030>	8703362345 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	John.Stode@attcom.com

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached document(s), on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select (Yes, No, NA)

(1100) No Terrestrial Backhaul Reporting Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
<010>	Study Area Code	401726
<015>	Study Area Name	TRT - COUNTY TEL CO-AR
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	John Steele
<035>	Contact Telephone Number - Number of person identified in data line <030>	8703342345 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	John.Steele@RitterCommunications.com

<1120> Please check this box to confirm no terrestrial backhaul
options exist within the supported area pursuant to § 54.313(G) ☐

<1130> Please check this box to confirm the reporting carrier offers
broadband service of at least 1 Mbps downstream and 256 kbps
upstream within the supported area pursuant to § 54.313(G) ☐

(1200) Terms and Condition for Lifeline Customers

Lifeline
Data Collection Form

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	401726
<015>	Study Area Name	TRI-COUNTY TEL CO-AR
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	John Strobe
<035>	Contact Telephone Number - Number of person identified in data line <030>	8703362345 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	John.Strobe@RitterCommunications.com

401726ar1210.pdf

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

Name of Attached Document

<1220> Link to Public Website

HTTP

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- <1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, ☒
- <1222> Details on the number of minutes provided as part of the plan, ☒
- <1223> Additional charges for toll calls, and rates for each such plan. ☒

(2000) Price Cap Carrier Additional Documentation Data Collection Form Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
--	--

<010> Study Area Code	401726
<015> Study Area Name	TRI-COUNTY TEL CO-AR
<020> Program Year	2013
<030> Contact Name - Person USAC should contact regarding this data	John Storde
<035> Contact Telephone Number - Number of person identified in data line <030>	8703362345 ext
<039> Contact Email Address - Email Address of person identified in data line <030>	John.Storde@RialtecCommunications.com

CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting		
<2010>	2nd Year Certification (47 CFR § 54.313(b)(1))	<input type="checkbox"/>
<2011>	3rd Year Certification (47 CFR § 54.313(b)(2))	<input type="checkbox"/>
Price Cap Carrier Receiving Frozen Support Certification (47 CFR § 54.312(a))		
<2012>	2013 Frozen Support Certification	<input type="checkbox"/>
<2013>	2014 Frozen Support Certification	<input type="checkbox"/>
<2014>	2015 Frozen Support Certification	<input type="checkbox"/>
<2015>	2016 and future Frozen Support Certification	<input type="checkbox"/>
Price Cap Carrier Connect America ICC Support (47 CFR § 54.313(d))		
<2016>	Certification Support Used to Build Broadband	<input type="checkbox"/>
Connect America Phase II Reporting (47 CFR § 54.313(e))		
<2017>	3rd year Broadband Service Certification	<input type="checkbox"/>
<2018>	5th year Broadband Service Certification	<input type="checkbox"/>
<2019>	Interim Progress Certification	<input type="checkbox"/>
<2020>	Please check the box to confirm that the attached document(s), on line 2021, contains the required information pursuant to § 54.313 (e)(3)(iii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.	<input type="checkbox"/>
<2021>	Interim Progress Community Anchor Institutions	

Name of Attached Document Listing Required Information

(3000) Rate Of Return Carrier Additional Documentation Data Collection Form	FCC Form 481 OMB Control No. 3050-0586/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	401726
<015> Study Area Name	T&I COUNTY TEL CO AR
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	John Strode
<035> Contact Telephone Number - Number of person identified in data line <030>	870362345 ext
<035> Contact Email Address - Email Address of person identified in data line <030>	John.Strode@T&I-AR.com

CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3010) Progress Report on 5 Year Plan
 Milestone Certification (47 CFR § 54.313(f)(1)(i))

Name of Attached Document Listing Required Information

(3011) Please check this box to confirm that the attached document(s), on line 3012 contains the required information pursuant to § 54.313(f)(1)(ii). The carrier shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.

Name of Attached Document Listing Required Information

(3012) Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii))

(3013) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))

(3014) If yes, does your company file the RUS annual report

(Yes/No) ☒ Yes ☒ No

(Yes/No) ☒ Yes ☒ No

Please check these boxes to confirm that the attached document(s), on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires.

(3015) Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)

☒

(3016) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

☒

(3017) If the response is yes on line 3015, attach your company's RUS annual report and all required documentation

Name of Attached Document Listing Required Information

(3018) If the response is no on line 3014, is your company audited?

(Yes/No) ☒ Yes ☒ No

If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:

(3019) Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications

☒

(3020) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

☒

(3021) Management letter issued by the independent certified public accountant that performed the company's financial audit.

☒

If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:

(3022) Copy of their financial statement which has been subject to review by an independent certified public accountant; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers.

☐

(3023) Underlying information subjected to a review by an independent certified public accountant

☐

(3024) Underlying information subjected to an officer certification.

☐

(3025) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

☐

(3026) Attach the worksheet listing required information:

401726ar3026.pdf

Name of Attached Document Listing Required Information

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
---	--

<010> Study Area Code	401726
<015> Study Area Name	TRI-COUNTY TEL CO-AR
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	John Strobe
<035> Contact Telephone Number - Number of person identified in data line <030>	8703362345 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	John.Strobe@RitterCommunications.com

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier: TRI-COUNTY TEL CO AR	
Signature of Authorized Officer: CERTIFIED ONLINE	Date 06/27/2014
Printed name of Authorized Officer: John Strobe	
Title or position of Authorized Officer: VP External Affairs	
Telephone number of Authorized Officer: 8703362345 ext.	
Study Area Code of Reporting Carrier: 401726	Filing Due Date for this form: 07/01/2014
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Certification - Agent / Carrier Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
<010> Study Area Code	401726	
<015> Study Area Name	TRI-COUNTY TEL CO-AR	
<020> Program Year	2015	
<030> Contact Name - Person USAC should contact regarding this data	John Strode	
<035> Contact Telephone Number - Number of person identified in data line <030>	8703362345 ext.	
<039> Contact Email Address - Email Address of person identified in data line <030>	John.Strode@RitterCommunications.com	

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent: _____	
Name of Reporting Carrier: _____	
Signature of Authorized Officer: _____	Date: _____
Printed name of Authorized Officer: _____	
Title or position of Authorized Officer: _____	
Telephone number of Authorized Officer: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier: _____	
Name of Authorized Agent or Employee of Agent: _____	
Signature of Authorized Agent or Employee of Agent: _____	Date: _____
Printed name of Authorized Agent or Employee of Agent: _____	
Title or position of Authorized Agent or Employee of Agent: _____	
Telephone number of Authorized Agent or Employee of Agent: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

REFERENCE WC DOCKET NOS 10-90 AND 11-42
CONFIDENTIAL FINANCIAL INFORMATION- SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109,
CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION
REDACTED - FOR PUBLIC INSPECTION

Attachments

Five-Year Network Improvement Plan
For Tri-County Telephone Company, Inc.

In its *USF/ICC Transformation Order* and subsequent Orders, the Federal Communications Commission ("FCC" or "Commission") requires Eligible Telecommunications Carriers ("ETCs") to submit a five-year build-out plan in a manner consistent with Section 54.202(a)(1)(ii) of the Commission's Rules by July 1, 2014 and to submit annual progress reports thereafter.¹ Section 54.202(a) (1) (ii) states in part that ETCs are to "[s]ubmit a five-year plan that describes with specificity proposed improvements or upgrades to the [ETC's] network throughout its proposed service area. Each [ETC] shall estimate the area and population that will be served as a result of the improvements"²

In its *March 5, 2013 Order*, the FCC specified that for rate-of-return carriers, the five-year plans "should describe the carrier's network improvement plan, which should provide greater visibility into current plans to extend broadband service to unserved locations in rate-of-return service territories."³ Tri-County Telephone Company, Inc. or

¹ See *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform—Mobility Fund*; WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-61 (rel. Nov. 18, 2011) (*USF/ICC Transformation Order*) at Para. 587; *pets. for review denied*, Direct Comm. Cedar Valley, et al v. FCC, No. 11-9900, www.ca10.uscourts.gov/opinions/11/11-9900.pdf (10th Cir. May 23, 2014); see also *Connect America Fund et al.*, WC Docket 10-90 et al., Order, DA 12-147 (rel. Feb. 12, 2012) at Para. 5 (amending Section 54.313(a)(1) to clarify this requirement); *Connect America Fund et al.*, WC Docket 10-90 et al., Third Order on Reconsideration, FCC 12-52 (rel. May 14, 2012) at Para. 10 (changing the filing deadline for the annual reports from April 1 to July 1); *Connect America Fund et al.*, WC Docket 10-90 et al., Order, DA 13-332 (rel. Mar. 5, 2013) ("*March 5, 2013 Order*") at Para's. 4, 6-9. Delaying Five Year Plan until July 1, 2014 see WC Docket No. 10-90, Order, DA 13-1115, Para. 8 (released May 16, 2013).

² 47 C.F.R. § 54.202(a) (1) (ii).

³ *March 5, 2013 Order* at Para. 9 citing Section 54.202(a) (1) (ii).

("Tri-County Telephone" or the "Company") is a rate-of-return carrier ETC and hereby submits its five-year network improvement plan.

I. The Challenges Faced by the Company in Providing Voice and Broadband to its Rural Service Area

A. Description of the Company and its Service Area



B. The Exchanges Contained Within the Company's Study Area

Tri-County Telephone Company, Inc. serves the combined exchange area(s) of:



II. The Company Has Used and Will Use Universal Service Support Only For the Intended Purposes

Section 254(e) of the Communications Act of 1934, as amended requires ETCs to use Universal Service support ("USF") "only for the provision, maintenance, and

upgrading of facilities and services for which the support is intended.”⁴ Pursuant to Section 54.314 of the FCC’s rules, in order for state-designated ETCs to receive USF for the coming year, states must annually file certifications by October 1 stating that all federal high-cost support provided to such carriers within the state “was used in the preceding calendar year and will be used in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.”⁵ ETCs not designated by a state must file similar certifications with the FCC.⁶

In its *USF/ICC Transformation Order*, the FCC clarified that prior to making the Section 254(e) certifications, states should conduct a “rigorous examination of the factual information” contained in the annual Section 54.313 reports, of which the five year network improvement plan and annual progress reports are a part, in determining whether they can certify that carriers’ support has been used and will be used only for the purpose for which the support was intended.⁷ The FCC said that it would also use the reports to verify certifications filed by ETCs that are not state-designated.⁸ In this context, the Commission stated, “[i]n light of the public interest obligations we adopt in this Order, a key component of this [Section 254(e)] certification will now be that support is being used to maintain and extend modern networks capable of providing voice and broadband service.”⁹

⁴ 47 U.S.C. § 254(e).

⁵ 47 C.F.R. § 54.314(a).

⁶ 47 C.F.R. § 54.314(b).

⁷ See *USF/ICC Transformation Order* at Para. 612.

⁸ *Id.*

⁹ *Id.* (emphasis supplied).

Essentially, under the existing rules and processes, the federal USF received by the Company and other incumbent rural telephone companies are, in fact, an integral part of the recovery of expenditures of rural incumbent local exchange carriers incurred in the provision, maintenance and upgrading of their provision of facilities and services for which the USF is intended. Tri-County Telephone Company, Inc. depends upon its receipt and utilization of federal universal service support to provide rural telephone customers with affordable and quality voice and broadband services.

Accordingly, given the critical role the network improvement plan and the progress reports will have in the annual Section 254(e) certification process, Tri-County Telephone Company, Inc.'s plan and progress reports will demonstrate not only how Tri-County Telephone has used and will use USF not only for improvements and upgrades, but also for the provision and maintenance of the facilities and services to which the support was intended.

III. Tri-County Telephone's Five-Year Network Improvement Plan

When the Commission adopted its five-year plan requirements for FCC-designated ETCs in its *2005 ETC Order*, it set forth the following criteria as to how the ETC is to describe with "specificity" the proposed improvements or upgrades to the ETC's network throughout its service area:

- (1) how signal quality, coverage, or capacity will improve due to the receipt of high-cost support throughout the area for which the ETC seeks designation; (2) the projected start date and completion date for each improvement and the estimated amount of investment for each project that is funded by high-cost support; (3) the specific geographic areas where the

improvements will be made; and (4) the estimated population that will be served as a result of the improvements.¹⁰

In that order, the FCC clarified that service quality improvements in the five-year plan “do not necessarily require additional construction of network facilities.”¹¹ Accordingly, the improvements listed in the plan may be projects related to the expansion of the network (one or multiple services), projects related to updating technology to accommodate new services or higher bandwidth or maintenance projects, such as to reduce trouble reports or replace outdated equipment. Additionally, in some cases, the projects may be ones that improve or upgrade the entire network rather than discrete areas within a study area or they may be ones that are ongoing projects that have no specific start and completion dates.

The instructions to the Form 481 state “[r]ecipients may describe where improvements are expected to occur by wire center or census block, as appropriate. To the extent no improvements are planned in specific areas, the five-year plan should so indicate.”¹² The instructions also require that in subsequent years, ETCs must file a progress report on the five-year plan, pursuant to 47 C.F.R. §54.313(a)(1), including maps explaining progress towards meeting the deployment targets, the amount of universal service support received, how support was used to improve service quality, coverage, or capacity, and an explanation regarding any network improvement targets that have not been fulfilled in the prior calendar year. The information regarding the total

¹⁰ *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 05-46 (rel. Mar. 17, 2005) (“2005 ETC Order”).

¹¹ *Id.*

¹² Instructions for Completing FCC Form 481, OMB Control No. 3060-0986 (High-Cost), OMB Control No. 3060-0819 (Low-Income), March 2014, Line 112

amount of universal service support received must also be broken out separately by the amount spent on capital expenses and the amount spent on operating expenses.¹³

Accordingly, the Company's five-year plan separately provides both capital expenditures and operating expenses.

A. The Company's Major Network Improvement Projects

Based upon this framework, Appendix A reflects Tri-County Telephone Company's major network improvement projects for the year 2015 through calendar year 2019¹⁴ along with the start and completion dates, capital costs, areas and population associated with those projects.

B. How These Projects Will Improve the Network



C. Estimated Capital Expenditures and Operating Expenses

The first table in Appendix B included herein specifies the Capital Expenditures (projects) in Appendix A, by Part 32 account, along with the respective year in which the expenditures are expected to occur. In the second table of Appendix B, the projected operating expenses are provided, including depreciation expense for both embedded plant

¹³ Instructions for Completing FCC Form 481, OMB Control No. 3060-0986 (High-Cost), OMB Control No. 3060-0819 (Low-Income), March 2014, Line 112

¹⁴ Although the FCC has not specified what it considers to be "year one" of the five year plan, the Company believes that it is the FCC's intent for the calendar year 2015 to be considered "year one" due to the fact that the first progress report on the plan is due July 1, 2015 and all of the other reporting requirements contained in Section 54.313 are based on the calendar year.

investment and for Capital Expenditures, which begins when the Capital Expenditures are projected to be placed into service.

407126ar112

401726
Tri-County Telephone Company, Inc.
John Strode
870.336.2345
John.Strode@RitterCommunications.com

Study Area Code
Study Area Name
Company Contact Name
Contact Telephone Number
Contact Email Address

PART A - PROJECT LIST FOR 2015-2019



401726ar112

Study Area Code	401726
Study Area Name	Tri-County Telephone Company, Inc.
Company Contact Name	John Strode
Contact Telephone Number	870.336.2345
Contact Email Address	John.Strode@RitterCommunications.com

Part B: 5-Year Proposed Capital Expenditures and Operating Expenses



TRI-COUNTY TELEPHONE COMPANY
SAC: 401726

Unfulfilled Requests - Previous 12 Months

VOICE & BROADBAND - REPORTING PERIOD: JAN. 1, 2013 THROUGH DEC. 31, 2013

REF	DATE	DESCRIPTION OF SERVICE REQUESTED	SERVICE REQUESTED (V ALL APPLICABLE TO UNFULFILLED REQUEST)		BROADBAND SPEED REQUESTED	DESCRIBE HOW CARRIER ATTEMPTED TO PROVIDE SERVICE
			BROADBAND	VOICE		
1		DSL	X		6 MG	NOT WITHIN 18000' OF WIRE CENTER
2		DSL	X		6 MG	NOT WITHIN 18000' OF WIRE CENTER
3		DSL	X		6 MG	NOT WITHIN 18000' OF WIRE CENTER
4	2/13/2013	DSL	X		6 MG	NOT WITHIN 18000' OF WIRE CENTER
5	3/5/2013	DSL	X		6 MG	NOT WITHIN 18000' OF WIRE CENTER
6	3/19/2013	DSL	X		6 MG	NOT WITHIN 18000' OF WIRE CENTER
7	3/29/2013	DSL	X		6 MG	NOT WITHIN 18000' OF WIRE CENTER
8	5/3/2013	DSL	X		6 MG	NOT WITHIN 18000' OF WIRE CENTER
9	5/8/2013	DSL/EMAIL	X		6 MG	NOT WITHIN 18000' OF WIRE CENTER
10	5/23/2013	DSL	X		6 MG	NOT WITHIN 18000' OF WIRE CENTER
11	6/1/2013	DSL	X		6 MG	NOT WITHIN 18000' OF WIRE CENTER
12	6/7/2013	DSL	X		6 MG	NOT WITHIN 18000' OF WIRE CENTER
13	6/11/2013	DSL	X		6 MG	NOT WITHIN 18000' OF WIRE CENTER
14	6/18/2013	DSL	X		6 MG	NOT WITHIN 18000' OF WIRE CENTER
15	6/18/2013	DSL	X		6 MG	NOT WITHIN 18000' OF WIRE CENTER
16	6/18/2013	DSL	X		6 MG	NOT WITHIN 18000' OF WIRE CENTER
17	6/26/2013	DSL	X		5 MG	NOT WITHIN 18000' OF WIRE CENTER
18	9/12/2013	DSL	X		6 MG	NOT WITHIN 18000' OF WIRE CENTER
19	9/13/2013	DSL	X		6 MG	NOT WITHIN 18000' OF WIRE CENTER
20	10/11/2013	DSL	X		6 MG	NOT WITHIN 18000' OF WIRE CENTER
21	8/21/2013	DSL	X		6 MG	NOT WITHIN 18000' OF WIRE CENTER

Tri-County Telephone Company

FCC 481 401726ar510.pdf

In establishing this certification in its *2005 ETC Order*,¹ the FCC found that an ETC must make “a specific commitment to objective measures to protect consumers.”² The Commission found that for wireless ETCs, compliance with CTIA’s Consumer Code for Wireless Service would satisfy this requirement” and that the sufficiency of other commitments would be considered on a case-by-case basis.³ In this context, the FCC stated, “to the extent a wireline or wireless ETC applicant is subject to consumer protection obligations under state law, compliance with such laws may meet our requirement.”⁴

Tri-County Telephone Company, Inc. (“Company”) hereby certifies that it is complying with applicable service quality standards and consumer protection rules. The Company is subject to consumer protection obligations under state law. These obligations include, but are not limited to, the following:

(1) filing a Local Exchange Tariff pursuant to the requirements of the Arkansas Public Service Commission (APSC) which disclose rates, terms and conditions of service to customers;

(2) consumer protection requirements governing telephone providers which require adherence to APSC’s Telecommunications Providers Rules governing service supplied by Telephone Providers (TP). The basic utility obligations include: (a) Each

¹ *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 05-46 (rel. Mar. 17, 2005) (“*2005 ETC Order*”).

² *Id.* at para. 28.

³ *Id.* The FCC noted that under the CTIA Consumer Code, wireless carriers agree to: “(1) disclose rates and terms of service to customers; (2) make available maps showing where service is generally available; (3) provide contract terms to customers and confirm changes in service; (4) allow a trial period for new service; (5) provide specific disclosures in advertising; (6) separately identify carrier charges from taxes on billing statements; (7) provide customers the right to terminate service for changes to contract terms; (8) provide ready access to customer service; (9) promptly respond to consumer inquiries and complaints received from government agencies; and (10) abide by policies for protection of consumer privacy.” *Id.* at n. 71.

⁴ *Id.* at n. 72.

Tri-County Telephone Company

FCC 481 401726ar510.pdf

telephone provider shall provide all services and offerings on a continuous 24 hour basis.

For example: (i) Local and toll switched or non-switched circuits and functions. (ii) Equipment or personnel to receive customer trouble reports; and (iii) Emergency repair service. Each TP shall operate and maintain its entire system so that service is safe, adequate, and reliable. Each TP shall inspect its entire system as necessary to have a reasonable knowledge of the system's condition at all time.

(3) In accordance with APSC Rule 2.01.B, E. Ritter Telephone Company provides the following information in the Customer Information section of its directory (Pages 3 – 13 of the 2013 Directory):

- (a) A list and description of all rates for basic local exchange access service and any discounts which would apply to that service;
- (b) All billing plans and options available to the customer;
- (c) A summary of rules and procedures for the payment, refund, and guarantee of deposits;
- (d) A summary of billing rules and procedures;
- (e) An itemized bill description, if not shown on the bill;
- (f) Procedures for verifying the accuracy of a bill;
- (g) A description of any automatic adjustment charge;
- (h) A summary of the rules and procedures for paying bills to include payments made to authorized payment agents;
- (i) A summary of the delayed payment agreement rules and procedures – information on delayed payment agreements shall say that a customer who is

Tri-County Telephone Company

FCC 481 401726ar510.pdf

having difficulty paying a LEC bill may, if qualified, make payments in installments;

(j) A summary of the rules and procedures for suspension, reconnection, and termination of service;

(k) The options available to customers to avoid shut-off of service when a customer is away for an extended period;

(l) A summary of the rules and procedures for giving someone else notice before shutting off a customer's service (Third-Party Notification procedures);

(m) A summary of the rules and procedures for helping households avoid shut-off when there is a serious medical condition, elderly customer, or customer who is an individual with disabilities;

(n) The local and/or toll-free telephone numbers, and a statement that the customer may contact the LEC for a list of authorized payment agents in the customer's area;

(o) Procedures for making a complaint to the LEC and the APSC;

(p) Toll-free and local telephone numbers of the APSC and the mailing and street address of the APSC;

(q) A statement that these Rules are available through each LEC's business office.

Customer billing guidelines set forth in APSC Telephone Providers Rules Section 5 Billing state that each bill shall contain the following information:

1. Name and telephone number or identifying number under which service is billed;
2. The beginning and ending dates of the billing period;

Tri-County Telephone Company

FCC 481 401726ar510.pdf

3. The net amount of all payments and other credits made to the account during the billing period;
4. Any previous balance due;
5. The amount of any "late payment charge" and an explanation of when it will apply;
6. The date the bill was mailed;
7. A list of all charges or credits, including: a) Deposit installments; b) Deposit refunds; c) Automatic adjustments; d) Customer or minimum charges; e) Taxes, listed by kind; f) Charges for other utility service; g) Charges for non-utility merchandise, service or equipment; h) Basic service; i) Federal end user common line charge j) Equipment; k) Custom calling services.
8. If a LEC uses industry-specific abbreviations for terms that explain the billing, it shall identify them on the bill;
9. A statement that the customer may contact the LEC about any problem with billing or service, or for a delayed payment agreement. The statement shall include an address and a telephone number where customers can call the LEC without charge.

In addition, the Company is subject to consumer protection obligations under state law relating to truth-in-billing requirements, CPNI, Red Flag Rules and other applicable federal and state requirements governing the protection of customers' privacy.

TRI-COUNTY TELEPHONE CO., INC.**401726ar610.pdf**

Tri-County Telephone Co., Inc. (The Company), hereby certifies that it is able to function in emergency situations as set forth in §54.202(a)(2).¹ The Company's network is designed to remain functional in emergency situations without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations as required by Section 54.202(a)(2). The Company can change call routing translations as needed to reroute traffic around damaged facilities. Changing call routing translations will also allow the Company to manage traffic spikes throughout its network, as emergency situations require.

Specifically, each central office building is supplied with standby generators and battery back-up that enable the central office to keep running until power is restored so long as fuel is available, or until system changes are made to reroute traffic. The Company has battery backup at all office locations and in its electronic equipment sites. Length of run time is determined by the equipment serving the area and the number of customers working out of the equipment. Generators are installed at all Central Office locations. They will continue to run as long as the Company has access to fuel for generators.

¹ Section 54.202(a)(2) requires ETCs that are designated by the Commission to "demonstrate its ability to remain functional in emergency situations, including a demonstration that it has a reasonable amount of back-up power to ensure functionality without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations."

CONFIDENTIAL FINANCIAL INFORMATION- SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109,
CC DOCKET NO. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION
REDACTED - FOR PUBLIC INSPECTION

<703>[illegible]

<010>	Study Area Code	401726
<015>	Study Area Name	TRI - COUNTY TEL CO-AR
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	John Strode
<035>	Contact Telephone Number - Number of person identified in data line <030>	8702362345 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	John_Strode@RitterCommunications.com

[illegible]

REDACTED - FOR PUBLIC INSPECTION

[illegible]

401726ar1010

Name: Tri-County Telephone Company, Inc.

SAC: 401726

SPIN: 143002275

LINE 1010 – VOICE SERVICE RATE COMPARABILITY

Tri-County Telephone Company, Inc.'s fixed voice service is \$19.00 which is below the urban floor rate of \$20.46. Therefore, Tri-County Telephone Company, Inc. 's fixed voice service is not more than two standard deviations above the national average.

ARKANSAS PUBLIC SERVICE COMMISSION

Section V

1st Revised Sheet No. 6 Replacing Original Sheet No. 6

ALL EXCHANGES

TRI-COUNTY TELEPHONE COMPANY

LOCAL EXCHANGE SERVICE (Cont'd)

PSC File Mark Only

14. LIFELINE

14.1 Service

Lifeline Service is a service offered to certain qualified residential customers of the Company. This service provides for a discount from the local access rate charged by the Company.

Lifeline Service is a service offered to certain qualified residential customers of the Company. This service provides for a discount from the local access rate charged by the Company.

The Company will also seek a waiver to the maximum amount authorized by the Federal Communications Commission ("FCC") of the federal customer line charge ("SLC") to be applied under its approved lifeline plan.

14.2 Qualification

Lifeline Service is available only to Food Stamp, federal public housing assistance or Section 8 programs, Low Income Home Energy Assistance Program, Medicaid (including Supplemental Security Income), Aid to Families with Dependent Children recipients, recipients of Temporary Assistance to Needy Families, participants in the National School Lunch's free lunch program, or families whose household income falls below 135% of the Federal Poverty Guideline. A directory listing (if desired) and billing for Lifeline Service will only be provided in the name of and at the address of the certified recipient.

Lifeline Service customers will self certify on an annual basis that they continue to be eligible for this service.

14.2.1 The customer will certify under penalty of perjury that the information supplied at the time of application for Lifeline service is accurate. The Company will obtain sufficient documentation from the customer to verify that the customer qualifies for Lifeline and an officer of the Company will certify that the Company has procedures to review the application of Lifeline Service in accordance with 47 U.S.C. Part 54.

(CT)

(CT)

(AT)

(AT)

Issued:

By: Bob Mouser, President
Tri-County Telephone Company

Effective: June 22, 2005

ARKANSAS PUBLIC SERVICE COMMISSION

Section V

1st Revised Sheet No. 7 Replaces Original Sheet No. 7

ALL EXCHANGES

TRI-COUNTY TELEPHONE COMPANY

LOCAL EXCHANGE SERVICE (Cont'd)

PSC File Mark Only

14.3 Rates

The amount of the Lifeline Service discounted rate, which will be deducted from the normal residential access rate is as follows:

(CT) One-Party Residential\$2.75

The above amount will be in addition to any reduction in the SLC by the FCC.

Issued:

By: Bob Mouser, President
Tri-County Telephone Company

Effective: May 10, 2012



TRI-COUNTY TELEPHONE COMPANY, INC.

Financial Statements

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 900
50 North Front Street
Memphis, TN 38103-1194

Independent Auditors' Report

The Board of Directors
Tri-County Telephone Company, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Tri-County Telephone Company, Inc. (the Company) (a wholly owned subsidiary of E. Ritter Communications Holdings, Inc.), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Tri-County Telephone Company, Inc. as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

March 28, 2014

TRI-COUNTY TELEPHONE COMPANY, INC.

Balance Sheets

December 31, 2013 and 2012

Assets	2013	2012
Current assets:		
Cash and cash equivalents		
Accounts receivable, net		
Materials and supplies		
Prepaid expenses		
Deferred income taxes		
Income taxes receivable from E. Ritter & Company		
Total current assets		
Noncurrent assets:		
Nonregulated property and equipment, net		
Investments		
Deferred charges		
Total noncurrent assets		
Telephone plant:		
In-service		
Under construction		
Total telephone plant		
Less accumulated depreciation		
Net telephone plant		
 Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable		
Due to affiliates		
Current maturities of capital lease obligations		
Accrued expenses		
Customer deposits and advance billings		
Total current liabilities		
Long-term liabilities and deferred credits:		
Capital lease obligations		
Deferred income taxes		
Total long-term liabilities and deferred credits		
Stockholder's equity:		
Common stock, [REDACTED] par value; Authorized [REDACTED] shares; issued and outstanding [REDACTED] shares		
Additional paid-in capital		
Retained earnings		
Total stockholder's equity		

See accompanying notes to financial statements.

TRI-COUNTY TELEPHONE COMPANY, INC.

Statements of Income and Retained Earnings

Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Local service		
Network access		
Long distance		
Other		
Nonregulated sales		
Total operating revenues		
Operating expenses:		
Plant operations		
Depreciation and amortization		
Customer operations		
Corporate operations		
Nonregulated expenses		
Taxes – other than income taxes		
Total operating expenses		
Operating income		
Other income (expense):		
Interest income		
Interest expense		
Total other income (expense), net		
Income before income taxes		
Provision for income taxes		
Net income		
Retained earnings:		
Beginning of year		
Dividends		
End of year		

See accompanying notes to financial statements.

TRI-COUNTY TELEPHONE COMPANY, INC.

Statements of Cash Flows

Years ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Net income		
Adjustments to reconcile net income to net cash provided by operating activities:		
Noncash operating activities:		
Depreciation and amortization		
Change in deferred credits		
Change in deferred income taxes		
Uncollectible operating revenues		
Changes in operating assets and liabilities:		
Accounts receivable		
Materials and supplies		
Deposits and prepaid expenses		
Accounts payable		
Due to affiliates		
Other current liabilities		
Income taxes		
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property, plant and equipment		
Purchase of investments		
Net cash used in investing activities		
Cash flows from financing activities:		
Borrowings under capital lease obligations		
Payment of capital lease obligations		
Payment of dividends		
Net cash used in financing activities		
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents:		
Beginning of year		
End of year		
Supplemental cash flow disclosures:		
Interest paid		
Income taxes paid		

See accompanying notes to financial statements.

TRI-COUNTY TELEPHONE COMPANY, INC.

Notes to Financial Statements

December 31, 2013 and 2012

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

Tri-County Telephone Company, Inc. (the Company) is a wholly owned subsidiary of E. Ritter Communications Holdings, Inc. (RCH or the Parent), which is a wholly owned subsidiary of E. Ritter & Company (ERC).

The Company provides local service, network access, high speed data service, long-distance, and other telecommunications products and services to businesses and individuals in portions of Newton, Boone, Carroll, and Searcy Counties in Arkansas. As of December 31, 2013 and 2012, the Company was providing local service to [REDACTED] and [REDACTED] access lines, respectively, and residential high speed data service to [REDACTED] and [REDACTED] customers, respectively. In addition, approximately [REDACTED] and [REDACTED] of the Company's local service customers had selected the Company as their primary long distance carrier as of December 31, 2013 and 2012, respectively. The Company also provides cable television (CATV) services to [REDACTED] and [REDACTED] customers as of December 31, 2013 and 2012, respectively.

(b) General Disclosure of Regulatory Matters

The Company's telephone operations are regulated in nature, and its telephone accounting records are maintained in accordance with the rules and regulations of the Arkansas Public Services Commission (APSC), which substantially adhere to the rules and regulations of the Federal Communications Commission. The Company's regulated operations are subject to the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 980, *Regulated Operations*. The Company's regulated operations were subject to the provisions of regulatory accounting under which actions by regulators can provide reasonable assurance of the recognition of an asset, reduce or eliminate the value of an asset and impose a liability on a regulated enterprise. Such regulatory assets and liabilities are required to be recorded and, accordingly, reflected in the balance sheets of an entity subject to regulatory accounting.

(c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results realized may differ from these estimates.

(d) Cash Equivalents

The Company considers all highly liquid short-term investments purchased with a maturity of three months or less to be cash equivalents.

TRI-COUNTY TELEPHONE COMPANY, INC.

Notes to Financial Statements

December 31, 2013 and 2012

(e) Materials and Supplies

Inventories are valued at the lower of cost (determined using average cost method) or market, except for copper wire and fiber optic cable inventories, which are valued at the lower of cost (determined using specific-identification method) or market.

(f) Telephone Plant and Depreciation

Telephone plant in-service is stated at original cost, including general overhead capitalized and an allowance for funds used during construction. For financial reporting purposes, the Company provides for depreciation using straight-line composite rates over the estimated useful lives of the assets. Telephone plant not subject to regulation is included in nonregulated property and equipment.

When telephone plant is retired, the original cost, net of salvage, is charged against accumulated depreciation. The cost of maintenance and repairs of telephone plant, including the cost of replacing minor items not affecting substantial betterments, is charged to maintenance expense as incurred. When nonregulated property is retired, the cost of the property and the related accumulated depreciation are removed from the balance sheets, and any gain or loss on the transaction is recorded.

(g) Long-Lived Assets

The Company reviews the carrying value of long-lived assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by the Company in performing this assessment include current operating results, trends and prospects, as well as the effects of obsolescence, demand, competition and other economic factors.

(h) Revenue Recognition – Network Access and Long-Distance Settlements

Revenues are recognized when earned and are primarily derived from usage of the Company's local exchange networks and facilities. The Company accrues unbilled revenues earned from the date of the customers' last billing to the end of the accounting period. Certain toll and access service revenues are estimated under cost separation procedures that base revenues on current operating costs and investments in facilities to provide such services.

The Company also participates in revenue pooling arrangements with other local service providers. Such pools were funded by local interexchange carriers and other providers of telecommunications services. Settlements with these revenue pooling arrangements are subject to retroactive adjustments from the pool members. The impacts of these adjustments are recorded in the period in which they are reported to the applicable pool administrator. During 2013 and 2012, the Company recorded out-of-period pooling adjustments of [REDACTED] (decrease to earnings) and [REDACTED] (increase to earnings), respectively, in network access revenue.

TRI-COUNTY TELEPHONE COMPANY, INC.

Notes to Financial Statements

December 31, 2013 and 2012

(i) Income Taxes

Income taxes are accounted for using the asset and liability method. Deferred taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The Company is included in the ERC consolidated federal and state tax returns. Income tax expense is calculated on a separate return computational basis.

The Company recognizes tax positions which are more likely than not to be sustained. The Company has determined that it does not have any material unrecognized tax benefits as of December 31, 2013. Years ending on or after December 31, 2011 remain subject to examination by federal and state authorities.

(j) Statement of Comprehensive Income

The Company does not have accumulated other comprehensive income. Accordingly, a statement of comprehensive income has not been presented.

(k) Accounts Receivable

Accounts receivable are stated at the historical carrying amounts, net of write-offs and allowances for doubtful accounts. The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the Company's receivables determined on the basis of historical experience, market conditions, current trends, and any specifically identified customer collection issues. Uncollectible accounts are written off when a settlement is reached for an amount that is less than the outstanding historical balance or when the Company has determined that collection of the balance is unlikely. At December 31, 2013 and 2012, the Company had recorded allowances of [REDACTED] and [REDACTED], respectively.

(l) Fair Value of Assets and Liabilities

The Company has estimated the fair value of its financial instruments using available market information or other appropriate valuation methodologies. Considerable judgment, however, is required in interpreting market data to develop certain estimates of fair value. Accordingly, certain estimates are not necessarily indicative of the amounts that the Company would realize in a current market exchange.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, and due to affiliates approximates fair value because of the short maturity of those instruments. The fair value of the Company's capital lease obligations are based on discounted cash flow analysis using the Company's incremental borrowing rate for similar types of borrowing arrangements and approximates carrying value.

(m) Subsequent Events

The Company has evaluated the effect subsequent events would have on the financial statements through March 28, 2014, which was the date the financial statements were available to be issued.

TRI-COUNTY TELEPHONE COMPANY, INC.

Notes to Financial Statements

December 31, 2013 and 2012

(2) Telephone Plant

Telephone plant in-service at December 31 is summarized as follows:

	Estimated useful lives	2013	2012
Land	Indefinite		
Support assets	4-36		
Central office switching	3-7		
Central office transmission	7		
Originating/terminating assets	8		
Cable and wire facilities	5-21		

Depreciation expense for telephone plant was [REDACTED] and [REDACTED] for 2013 and 2012, respectively. Such provision, as a percentage of the average balance of telephone plant in service, was [REDACTED] and [REDACTED] in 2013 and 2012, respectively. The Company periodically evaluates the depreciable lives of its property, plant and equipment and makes adjustments to its depreciation rates accordingly.

(3) Income Taxes

The provision (benefit) for income taxes attributable to the Company's regulated and nonregulated activities is as follows:

	2013		
	Regulated	Nonregulated	Total
Current:			
Federal			
State			
Deferred:			
Federal			
State			

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	2012		
	Regulated	Nonregulated	Total
Current:			
Federal			
State			
Deferred:			
Federal			
State			

The differences between the federal statutory rate and the Company's effective tax rate are as follows:

	2013	2012
Federal statutory rate		
State income tax – net of federal benefit		
Other		

The tax effects of temporary differences that give rise to significant components of the Company's deferred income taxes at December 31 are as follows:

	2013	2012
Current deferred tax assets (liabilities):		
Allowance for doubtful accounts		
Other		
Net current deferred tax assets		
Noncurrent deferred tax assets (liabilities):		
Telephone plant		
Other		
Noncurrent deferred tax liabilities		

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical

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taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences at December 31, 2013. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

(4) Nonregulated Operations

Nonregulated property and equipment, net at December 31 consist of the following:

	Estimated useful lives	2013	2012
Customer premises equipment	3-5		
Public telephone equipment	9		
CATV equipment	3-12		
Accumulated depreciation			
Inventory			

Nonregulated property and equipment is stated at original cost. Depreciation on nonregulated property and equipment other than CATV equipment is computed using the straight-line method for both financial reporting and income tax purposes over an estimated useful life of five years. Depreciation on CATV equipment is computed using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes. CATV equipment estimated useful lives range from three to twelve years. Depreciation expense of the nonregulated property and equipment was  and  for 2013 and 2012, respectively.

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Income from nonregulated operations is as follows:

	<u>2013</u>	<u>2012</u>
Sales:		
Customer premises equipment revenues		
Dial-up Internet access		
CATV revenue		
Other income		
Total sales		
Expenses:		
Cost of customer premises equipment		
Internet access		
CATV expense		
Depreciation and amortization		
General and administrative		
Other expenses		
Total expenses		
Pretax loss from nonregulated operations		

(5) Operating Leases

The Company leases certain real estate and equipment under operating leases. Rental expense under these leases was [REDACTED] and [REDACTED] in 2013 and 2012, respectively. Future minimum lease payments under these leases are as follows:

2014
2015
2016
2017
Thereafter

(6) Employee Benefit Plans

The Company leases all of its employees from RCH, and all related costs are allocated to the Company.

The Company participates with ERC and ERC's subsidiaries in a noncontributory defined benefit pension plan (the Plan) covering substantially all of the employees of ERC and its subsidiaries. Pension benefits are based on an employee's years of credited service and compensation. ERC's funding policy is to satisfy the funding requirements of the Employee Retirement Income Security Act of 1974. Expenses for 2013 and 2012 related to this plan were [REDACTED] and [REDACTED], respectively, and are included in the allocation of employee costs from RCH.

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The Company participates with ERC and ERC's subsidiaries in an employee savings plan under Section 401(k) of the Internal Revenue Code (the 401(k) Plan) covering substantially all full-time employees of ERC and its subsidiaries. Employees may elect to contribute a portion of their eligible pretax compensation up to certain specified limits. The Company also makes annual contributions to the 401(k) Plan. Expenses for 2013 and 2012 related to this plan were [REDACTED] and [REDACTED] respectively, and are included in the allocation of employee costs from RCH.

(7) Related-Party Transactions

Significant portions of accounting and administrative services are provided to the Company by RCH. These services are primarily billed to the Company in the form of a management fee. Charges to the Company from affiliated entities are calculated based upon cost and a rate of return to provide such services as prescribed by the regulatory process. Charges for these services are as follows:

	2013	2012
Operating revenues:		
Charges to affiliates for software maintenance		
Operating expenses:		
Management fees – RCH		
Other expenses:		
Interest expense		

The Company was allocated imputed interest costs from RCH based on RCH's capital structure, which totaled [REDACTED] and [REDACTED] in 2013 and 2012, respectively.

Receivables (payables) arising from related-party transactions at December 31 are as follows:

	2013	2012
Ritter Cable Corporation		
Millington Telephone Company		
Ritter Communications, Inc.		
E. Ritter Telephone Company		
RCH		

(8) Concentrations of Credit Risk

During 2013 and 2012, net revenue settlements received from the National Exchange Carriers Association represented [REDACTED] and [REDACTED] respectively, of total revenues. During 2013 and 2012, net revenue settlements received from the Arkansas Universal Service Fund represented [REDACTED] and [REDACTED] respectively, of total revenues. No other entity accounted for more than 10% of revenues during 2013 and 2012.